



NITIN SPINNERS LTD.



REF: NSL/SG/2024-25/
Date : 27.07.2024

BSE Ltd.

PhirozeJeejeebhoy Towers
Dalal Street
Mumbai – 400 001

Company Code – 532698

National Stock Exchange of India Ltd.

Exchange Plaza, C-1, Block G,
BandraKurla Complex,
Bandra (E),

Mumbai – 400 051.

Company ID - NITINSPIN

Sub. : Transcript of Analyst/Investor Earnings Call held on 23.07.2024

Dear Sir/Madam,

Pursuant to regulations 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find attached transcript of the Company's Analyst/ investor Call held on July 23, 2024 on Operational and Financial Performance of the Company for the Quarter ended 30th June, 2024. The same is also available on the website of the Company i.e. www.nitinspinners.com.

Thanking you,
Yours faithfully,

For- Nitin Spinners Ltd.

(Sudhir Garg)

Company Secretary & VP (Legal)

M.No. ACS 9684

CIN. : L17111RJ1992PLC006987

Regd. Office & Plant : 16-17 Km. Stone, Chittor Road, Hamirgarh, Bhilwara (Raj.) 311 025
Tel. : 286110 to113, E-mail : nsl@nitinspinners.com, Website : www.nitinspinners.com

SUPIMA®
WORLD'S FINEST COTTONS



USTERIZED®



“Nitin Spinners Limited
Q1 FY '25 Earnings Conference Call”
July 23, 2024

“E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchange on 23rd July 2024 will prevail.”



**MANAGEMENT: MR. DINESH NOLKHA – PROMOTER, MANAGING
DIRECTOR – NITIN SPINNERS LIMITED
MR. P MAHESHWARI – CHIEF FINANCIAL OFFICER –
NITIN SPINNERS LIMITED**

MODERATOR: MR. AWANISH CHANDRA – SMIFS LIMITED

Moderator: Ladies and gentlemen, good day and welcome to Nitin Spinners Limited Q1 FY25 Earnings Conference Call hosted by SMIFS Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Awanish Chandra from SMIFS Limited. Thank you and over to you, sir.

Awanish Chandra: On behalf of SMIFS Limited, I welcome you all to Q1 FY25 Earnings Conference Call of Nitin Spinners Limited. We are pleased to host the top management of the company. Today we have with us Mr. Dinesh Nolkha, Promoter and Managing Director of the company and Mr. P. Maheswari, CFO of the company. We will start the call with initial commentary on results, then we will open the floor for questions and answers. Now I will hand over the call to the management, Mr. P. Maheswari, CFO of the company. Over to you, Maheswari sir.

P Maheswari: Thank you, Awanishji. Good afternoon and a warm welcome to all the participants to this Q1 FY25 Earnings Conference Call of Nitin Spinners. I hope all of you have had a chance to look at our investor presentation that is uploaded on the company's website as well as stock exchanges. Before Shri Dineshji elaborates on present industry and business scenario, I am giving the brief financial highlights for the quarter ended 30th June 2024.

Revenue for Q1 FY25 is INR803 crores against INR801 crores during Q4 FY24, that's the nominal increase. On year-on-year basis, revenue increased by 30% from INR617 crores in Q1 FY24 to INR803 crores during the quarter, reflecting increased turnover from expansion undertaken during the previous year.

EBITDA for the quarter stood at INR118.80 crores as compared to INR116.24 crores in Q4 FY24 and INR76.10 crores in Q1 FY24. EBITDA margin for the quarter is 14.8% against previous quarter margins of 14.52% and Q1 FY24 margins of 12.33%. Profit after tax for the quarter is INR42.12 crores against INR39.17 crores in Q4 FY24, that's an increase of 7.5%. As compared to Q1 FY24, PAT has increased by 45.7% from INR28.90 crores to INR42.12 crores. EPS and cash EPS for the quarter is INR7.49 and INR14.02 per share, respectively, against Q1 FY24, EPS and cash EPS for the quarter is INR5.14 and INR9.24 per share, respectively. That is all from my side.

I now request Shri. Dinesh ji to apprise about the industry and business scenario.

Dinesh Nolkha: Good afternoon, regarding the industry the textile industry is on the path to recovery with moderate improvement in demand in both domestic and export markets. While exports face challenges due to the ongoing Red Sea issues affecting the global supply chain and increasing

logistic costs, a shift in sourcing preferences away from other countries has somewhat mitigated this impact for India.

Indian cotton prices, as such, have stabilized, ranging between INR55,000 to INR60,000 a candy, providing stability to our realizations and margins.

However, during the same time, the international cotton prices in the last three months have gone down by about 10% to 12%, which is a cause of concern for the Indian textile industry as imported cottons are becoming more competitive. Looking ahead, we expect the cotton prices to remain stable in India as well as the international market due to good crop conditions in various countries and the anticipation of a good monsoon and crop in India as well. We also expect the utilization level across the industry to improve with gradual pickup in demand from various downstream segments of the industry.

Coming onto the company's performance, we have shown a stable performance during Q1 FY25 and on account of improved utilization of assets and cost efficiency. Despite ongoing geopolitical challenges, realizations across our various business segments have improved due to better product mix and indicating a positive trend for our financial health. In the coming quarters, we aim to improve our position in key markets by focusing on optimization of product mixes, cost efficiencies, and utilization of capacities.

Going forward, our strategic focus will be to capitalize on emerging opportunities to drive long-term growth as well as investments in renewable energy to ensure a sustainable growth. Our commitment to innovation, efficiency and value additions remain unwavering as we navigate the evolving market landscape and continue to deliver to our stakeholders. I would now request to open the floor for the question-and-answer session.

Moderator: Thank you very much. We will now begin the question-and-answer session. First question is from Jatin Damania from Swan Investments. Please go ahead, sir.

Jatin Damania: Thank you, sir, for the opportunity and good to see the improvement in the margins. In your opening remarks, you indicated that the international prices have dropped by 10 to 12%. And I'm just looking at the number, the current international cotton prices are almost 20% discount to the domestic prices. So how someone looked at this comparison when we compare to a domestic industry and spreads movement in the coming quarters?

Dinesh Nolkha: First of all, means we need to align ourselves with what number we are in the international cotton prices, what number we are talking about. I think you're talking about the New York future prices.

Jatin Damania: Right.

Dinesh Nolkha: So New York future is just a index, which is not actually the real cost. It is just an index on which there are certain additions which is happening, depending upon the quality of the cotton and other costs involved. So then there is a benchmark called Cotlook index, where the similar kind of cottons are aggregated, top six cottons are aggregated. So the better comparison would be looking at the Cotlook index, which is the landed cost for any of the mills of our

competitors or anyone. So at this point of time, if you see the landed cost of any, I mean, basically, let's not speak about landed cost, let's speak about the X cost of any of the countries.

There is a difference of about 7% to 8% in the US cotton or the Australian cotton or the Brazil cotton, which are the larger producers of cotton are about 10% cheaper than our normal cotton. So we have to consider accordingly that the international cotton, is about 10% cheaper. And in the case of landed cost, they are more or less at par.

Jatin Damania: So obviously, you don't see any major impact in terms of the spreads as far as the cotton is concerned?

Dinesh Nolkha: At this point of time, not nothing major is happening. But if we consistently, let's say today we are at, we are slightly below par, the Indian cotton is slightly expensive than the imported cotton. We have and that is primarily due to the announcement of the minimum support price by the government, there was a sudden spike in the cotton prices. Otherwise, we were running more or less at parity with the international cotton.

Jatin Damania: Right. And secondly, now, if you look on the sequential basis, we have been able to report an improvement in the margins, though marginally because of various product mix and cost optimization. Now, on the revenue front, given our current capacity, we are already operating at the rated capacity. So definitely growth prospects on the revenue front is not there. But what are the levers that are in place to improve the margin from the current level?

Dinesh Nolkha: First of all, slightly, we can slightly grow in the revenue side as well. If you see our numbers, we have not been able to ship out the total amount of quantity what we have produced in this particular quarter due to logistic concerns, non-availability of the containers as I was saying. So slight revenue improvement is definitely possible from there.

So we expect that to happen going forward. As far as margins are concerned, the major improvement in margin will come from the price improvement side. On the cost efficiency side, the margin improvement will not be that much since we are already optimizing and keeping on optimizing basically our operations. So the major impact will come only when there is a demand and there is a better realization. Of course, with better product mix, it can help. But major improvement will come from there only.

Jatin Damania: Right. In terms of our solar energy, have we seen any benefit or probably that will come in the end of this financial year?

Dinesh Nolkha: Already we are having solar capacity. So that is already accruing to us continuously. So, it is pretty good in the summer season. You can see our energy cost in comparison to last quarter has come down only. So that is a credit to the solar energy which we are using. So additional capacity which we are going to put in, that, of course, that will kick in by the end of this financial year only.

Jatin Damania: Okay. And the last question, as we have discussed in the previous call regarding the scope to increase the capacity in the fabric segment, have we finalized any capex guidelines for the future growth drivers?

Dinesh Nolkha: We have not yet finalized any capex guidelines. As soon as we are ready with this, we are evaluating various avenues in this particular thing, in various segments of our business as well as outside our business segment. So, once we are ready with that, we will definitely come back to you.

Moderator: Thank you. The next question is from Manish Ostwal from Nirmal Bang Security Private Limited. Please go ahead, sir.

Manish Ostwal: Yes. Thank you for the opportunity, sir. My question on the next phase of capex plan, what is the update when we are planning to announce the new capacity in our business given the current utilization and the capacity?

Dinesh Nolkha: Basically, I just now answered that question as such. We are in the, that is work in process. We are working out the various avenues where we can allocate our additional capital going forward. So, we'll come back to you shortly as soon as we are ready with this. It's a very dynamic situation at this moment. So, we are working out the best possible options and then we'll come back.

Manish Ostwal: Or will it be very similar to the last capex size, or it will be higher or lower than that?

Dinesh Nolkha: Cannot comment on that particular part. Once it is ready, then once it is ready, we'll come back. We'll come with all the details. I don't want to give a half-baked answer. Sure.

Manish Ostwal: The second thing, sir, we have now given the current situation of the international cotton and the domestic thing. So, your margin outlook remain, can we sustain the current margin, or we can further improve what is our outlook out there?

Dinesh Nolkha: Last part of your question was, I mean, sustain or what do you want to say, sir?

Manish Ostwal: Or we can improve, sir.

Dinesh Nolkha: Basically, at this point of time, we are looking to sustain the margins. That is our first priority. As I answered in our first question itself, that margin improvement from here will depend on the demand situation. If the downstream demand situation improves and we are able to have better realization, that will only be the major kicker for the improvement in the margins from here.

Manish Ostwal: And lastly, from your remarks in the presentation, you said in your remarks that you anticipate a better demand situation in the coming quarters. And the second comment was more focus on the value-added segment. So, can we presume that your new capex will be focused on the more of the value-addition aspect of the business?

Dinesh Nolkha: Definitely. But we have to evaluate how much capital we have to allocate and the return on the investments on that part as well. So, value-addition is important, but we need to put in how much money we are allocating to that and what is the return on the same. So, we are working out everything. So, we want to come up with a firm plan. So then only I will be able to answer this future capex part of it.

Manish Ostwal: And lastly, on the US and the Europe market, can you comment on the qualitative or the quantitative terms in terms of demand trend vis-à-vis last six months to currently? So, what has changed if you give the qualitative or quantitatively what is compatible to you?

Dinesh Nolkha: Like as far as the demand in the Europe as well as in the US, I think already the worst part is over. Demand is now slowly picking up. And we were seeing a reasonably good demand before this Red Sea crisis happened.

In fact, due to the Red Sea crisis and increase in the transit time, the European demand has increased. But later on, the sea freight cost has increased substantially in last two, three months due to certain changes in the policies of the US government and a lot of material was being shipped from China to USA. So, I think that will normalize in another one or two months.

So once that has increased the cost of the sea freight and ultimately the cost of the product to the customers. So, I think that is still being getting absorbed by them. So, we expect the demand will come up going forward as I would say the retail pipeline is quite empty at the moment. They are not carrying huge inventory. And that will actually aid the demand going forward in the festive season as well as the coming seasons of the balance of this year.

Moderator: Thank you, sir. The next question is from the line of Rishabh Gang from Sacheti Family Office. Please go ahead, sir.

Rishabh Gang: Yes. So I wanted to understand what are the key drivers, right, which have caused the increase in the EBITDA margin right now? And earlier we used to have an EBITDA margin of 20%-25% in one specific year. So, what were the key drivers which led to that kind of EBITDA margin in historical years? Can you just explain that, sir?

Dinesh Nolkha: I think the margin improvement, EBITDA margin improvement is very, very small. Since we have increased only 25 bps, that is a very small improvement. Even though we have just commercialized our plants and optimum utilization of those capacities, that kind of improvement comes automatically. There is nothing more to speak on that particular part. If you see sequential margin improvement from last quarter to this quarter.

Coming to your second part of the question where you said that we used to have, we had a 20%-25% EBITDA margin, that was only, I think, once in 2021-22. And that was an extraordinary situation where the demand was very good. And accordingly, the prices were higher all around the world.

So, this is a similar thing, what I have been speaking right now is that then margin improvement from here will happen when there is an improvement in the demand in Downstream. When the downstream demand improves, and then there is a possibility to increase our realizations and margin.

Rishabh Gang: Sir I understand that the same realization improves and then the EBITDA margin improves. So what causes the realization to improve? Like, is it on the basis of increasing the cotton prices that leads to higher margin? How does the relation work?

- Dinesh Nolkha:** No, it is not related with cotton prices. Rather, when cotton prices are lesser, that is our raw material, we get better margins. It is the demand of the final product that is very important. If the demand of the final product, if there is a demand, good demand all around, then the utilisation, then we are able to increase our prices to a better level. And that leads to better margins. When there is a subdued demand, which has happened in the last few years due to various geopolitical situations all around the world, so that has actually resulted in a lower margin.
- Rishabh Gang:** So the impact of the inventory gain is not so much in getting a huge EBITDA margin?
- Dinesh Nolkha:** Impact of pardon?
- Rishabh Gang:** Impact of inventory gains.
- Dinesh Nolkha:** No not if you see historically our company we have never been keeping an extraordinary inventory. If you analyse the thing that we normally are running with a reasonable inventory and that we have a stated policy that we go as per our demand only. If the demand is more then only we, if we sell more then we keep more inventories. If we sell longer then we keep more inventories. So it is not something which is related with the inventories at least for us.
- Rishabh Gang:** All right, got it. Also sir on the EBITDA can you just give some idea on what are the EBITDA margins across product categories and how does it vary across domestic and export sales?
- Moderator:** Hello Rishabh, you're losing your audio.
- Dinesh Nolkha:** We are not sharing our EBITDA margin across the various divisions and various products.
- Rishabh Gang:** No, that's fine. Can you just share some directional idea on that?
- Dinesh Nolkha:** I think that is something like asking the question the other way around. So I would prefer to avoid answering that.
- Rishabh Gang:** Thank you so much, sir.
- Dinesh Nolkha:** Yes. Thank you.
- Rishabh Gang:** Yes. Thank you.
- Moderator:** Thank you sir. The next question is from the line of Akshay Kothari from JHP Security. Please go ahead, sir.
- Akshay Kothari:** Thanks for the opportunity. Sir, just one question have we seen some improvement in demand from China?
- Dinesh Nolkha:** No, sir. No improvement in demand from China. It is as it is it is rather stable. The demand has been rather if we compare with previous years it is on the lower side only.
- Akshay Kothari:** And do we expect it to come back for any inputs you are getting from the industry as such?

Dinesh Nolkha: I think what we have been able to understand that they have majorly shifted their production capabilities towards synthetic manufacturing. So since they have a lesser cotton production and accordingly also a lot of restrictions have come on the Chinese products when they sell to US and Europe.

So there they have tried to reduce the production itself and have imported raw cottons from US or other countries so as to support that. So overall cotton textile overall has gone down only in China. So that has - synthetics have increased in China. So that is why their imports towards cotton as well as cotton yarn has not improved substantially in the last one year or so.

Akshay Kothari: And sir secondly on a more structural sort of thing that everyone knows that MMF to cotton ratio globally is in favour of MMF of around 70 is to 30 and in India it is reversed, but due to global warming and hotter climate are we seeing internationally that cotton consumption is increasing as such and this ratio may more be the cotton would grow faster than the MMF going forward?

Dinesh Nolkha: Actually if you see the consumption pattern what we have the kind of cotton consumption which we had seen in last three, four years it is increasing only. The pace is about 2% to 3%, but the main reason for the lower increase in consumption was the raw material prices. We had very high prices two years back which actually restricted and moved some of the consumption towards the synthetic side.

That is again with the reasonable prices coming in the international market as well as in the domestic market. So the consumption is again moving towards cotton, but we are not seeing that it is growing more than synthetics. I think it is retaining its shares. That is all at the moment. In India, of course, we are not yet to see the reversal or the reduction in the cotton consumption, the cotton part of it and the ratio is still to change.

Akshay Kothari: Thanks a lot, sir. Thank you.

Moderator: Thank you, sir. The next question is from Harshil Mehta from Mehta Vakil and Company.

Harshil Mehta: Good afternoon, sir. Thanks for taking my question. So there have been some reports lately that the Red Sea crisis and subsequent container shortages have impacted textile exports from India. This has led to an inventory pile-up with Indian textile manufacturers and that report stated that some of this demand has shifted to China consequently. Have we been seeing something along similar lines? What are your thoughts on this? Is there any truth to this report?

Dinesh Nolkha: First of all that is your first part of your report is perfectly all right that there is a shortage of containers and there is a stock pile-up depending on product-to-product with the Indian suppliers. But this moving towards China is not at all right because China is also facing the similar problem and rather more acute problem. China as you must be aware on the EV batteries USA has imposed a very heavy anti-dumping duty from 1st of August.

So all the goods from which are of this product was to be moved in from China to US and that has resulted in container shortages because they were paying very, very heavy cost for that

movement. I think that part is nearly over now, and we should be seeing a normalized kind of situation. Red Sea crisis ,we were able to navigate the Red Sea crisis reasonably, but this particular part of extraordinary movement from China to US was for a very short-term period. So at that point of time Indian ships were lesser and we had an issue in that part. Now going forward there is no movement as such from India towards China that I can confirm.

Harshil Mehta: And just as a follow-up, so in case these export difficulties continue for a while longer in case of container shortages etc, are we trying to increase our penetration in the domestic market? Because I believe our export-to-domestic ratio has increased a little further this quarter as well. So any plans to kind of focus a little more on domestic to kind of overcome these export difficulties?

Dinesh Nolkha: Yes we can do it two ways that we can spread our export business towards more countries. So that can mitigate this effect and reduce our concentration on some particular countries and also improve increase in the domestic market. So we are focusing on both the sides, and we are also trying to see that our goods are shipped out in time as well because since it's an industrial product, it must reach to our customers also on time so that his production is also not hampered.

Harshil Mehta: Right. That's all from my side. Thank you.

Moderator: Thank you sir. The next question is from the line of Darshil Jhaveri from Crown Capital. Please go ahead sir.

Darshil Jhaveri: Hello. Hi. Good afternoon sir. Thank you so much for taking my question. So hope I'm audible?

Dinesh Nolkha: Yes you're audible.

Darshil Jhaveri: Hi sir. So just wanted to get a bit of sense from you that in terms of our revenue currently I think we are at our optimum capacity utilization. So what kind of revenue could we maybe target for FY25? Would our quarterly numbers be in the steady range of 800 CR, or would there be maybe a slight upward movement?

Dinesh Nolkha: We should see slight upward movements if you see our production capabilities. Our fabric division has not produced the kind of quantities which we've...

Darshil Jhaveri: Yes I'm sorry. Have I lost the line for the management, or I can't hear to them?

Moderator: Thank you for patiently waiting. We have the management team back on call.

Dinesh Nolkha: Yes. Can you hear me?

Darshil Jhaveri: Yes. Hi sir, sorry sir you got cut.

Dinesh Nolkha: Yes, so just like with regards to revenue you were just saying that slight improvement is possible from here. Since our fabric division was not optimally running in the last quarter. So

we can have the possibility to improve upon there. And also some small pileup can further aid to our revenue going forward.

Darshil Jhaveri: So I just wanted to ask sir that is like a 4,000 crores top line possible this year or would that be possible next year?

Dinesh Nolkha: Not possible with the current capacity.

Darshal Javeri: Okay, fair enough, sir. And I just wanted to know that in the budget, has our industry been given some benefits in case?

Dinesh Nolkha: At least from what I heard from the Finance Minister; I don't see anything which has come to textiles. Of course, we have to still see the fine print if there is anything. But on the face of it, it looks as if nothing is coming. Only the program which we have launched for the skilling and the initial worker, some advantage to the manufacturing industries. That is a welcome step which should help us in garnering more workers and good persons for our manufacturing operations.

Darshal Javeri: Okay, fair enough, sir. I just wanted to understand, maybe exports have been slightly higher in this quarter. So is the domestic demand a bit muted or could you just maybe picture what is happening with the terms of export and domestic split for us?

Dinesh Nolkha: Actually, as I was saying that normally our export split is 60 to 40. And normally our fabric is more into the domestic market. But since our operations, we had a major maintenance in one of our weaving and processing plants during the last quarter. So because of that, our capacity was underutilized. And if that would have been rectified and that sales would have come in, I think the ratio would have been 60-40 only. We need to get to 60-40. So you should consider it at 60-40 only. You see our fabric sales; it is lesser than the previous quarter and previous year itself.

Moderator: The next question is from Chirag Jain from Yogya Capital.

Chirag Jain: Sir, first question was on the spread. So can you comment on what are the current spread of yarn versus the cotton?

Dinesh Nolkha: Basically, the cotton-to-yarn spread is about INR100 a kg at this point of time for the average of 30 counts.

Chirag Jain: Okay. So they have moved up from around INR80 per kg level to around INR100 per kg level?

Dinesh Nolkha: Last year, in the same quarter, it was at about INR86-INR87. Now it has moved from INR86-INR87 to INR100.

Chirag Jain: So how do we see it then over the next two quarters or next one year?

Dinesh Nolkha: If we see a good demand pickup business further improve going forward, it all depends on the kind of demand which we have here. So demand pickup depends on a lot of other factors apart

from various other economic factors as well. As such, what I can say is cotton prices internationally and in India are near to its bottom. We do not have much scope from here to go down. So from here then the only thing which we can have is improvement in the prices. Similarly, in the yarn prices also, we are at nearly at the bottom of the price level.

Chirag Jain: Fair enough. Sir, second question was on the planned expansion side. So are we evaluating seamless knitting machines on that part?

Dinesh Nolkha: Pardon? Which machines?

Chirag Jain: Seamless. So which don't have any -- we don't require any break in between to join them, seamless knitting machines.

Dinesh Nolkha: We are evaluating various things. So I do not want to comment on one particular product itself. So we will come up with whatever we are planning. So we will definitely let you know whenever we are ready with this for the plans.

Moderator: The next question is from Varun Gajaria from Boring AMC. Please go ahead, sir.

Varun Gajaria: So I just wanted to understand how is the demand panning out in the year considering last year was kind of starchy?

Dinesh Nolkha: This year it is better than last year. First six -- I must say that the first six months have been reasonably better than last year. And we expect this trend to continue.

Varun Gajaria: Okay. Are retailers now taking a little bit of a conservative stance on stacking up inventory?

Dinesh Nolkha: I think this is a strategy call which each retailer has to take on its own. But if we consider the raw material prices, then it is at the lowest level. So considering that, they should be taking a call to improve upon. Already they have destocked quite a lot of quantity.

Varun Gajaria: So currently, what is the price of US cotton? I suppose it went up to \$0.83, right?

Dinesh Nolkha: Pardon? Which cotton?

Varun Gajaria: US cotton

Dinesh Nolkha: US cotton, is like you are talking about the futures. But that is not the price of the raw cotton. That is on that basis. Today, the US cotton, the New York future is at about \$0.70, \$0.71 at this point of time.

Varun Gajaria: Okay. And while Indian cotton would be?

Dinesh Nolkha: Around \$0.86.

Varun Gajaria: Do you see any impact because of this, the gap between the two of them?

Dinesh Nolkha: Definitely. But this New York future is, this is a future. This is a price which is a spot price which needs to be built in with various quality premiums and other costs which are involved.



So landed costs are more or less like \$0.87, \$0.88 only for the US cotton. If it is landed cost in India would be not less than \$0.87, \$0.88 at this point of time. And also, we have to see when they are going to come in. We all talk about their prices. But we have to see their logistics, whether they are able to ship or not. And even if they produce, they are capable enough to ship that kind of quantity or not is very, very important to be seen.

Varun Gajaria: And how is the demand currently in the domestic market? Is it better than what it was last year?

Dinesh Nolkha: Demand more or less is stable in the domestic market. It is not -- I would not say that it is very, very high. It is stable. Downstream segments are, some of the segments have improved in comparison to the earlier period. Knit segment particularly has improved, which was down a lot during last particular year. We are seeing some improvement in the knit segment. So there is an improvement in all around in the segments, in downstream segments. It's a stable kind of demand.

Moderator: The next question is from Manoj Jethwa from KSA Shares Securities.

Manoj Jethwa: Good afternoon and thank you for giving an opportunity. During last call, you had mentioned that we would be exploring the opportunities of exports in Japan and African markets. Any update on that, sir, regarding?

Dinesh Nolkha: We have been successfully able to do that also. We have increased our footprints in both these markets. We are already starting to -- already started to export already in these markets. And going forward, we expect it to go better from here.

Manoj Jethwa: So what are the countries we would be targeting, South Africa, Eastern markets, or which part of the Africa we would be looking at the opportunity?

Dinesh Nolkha: Frankly, on an earning call, I would not like to share our marketing strategy. So I would not like to go into the details of which particular market or which market we are targeting. But yes, I can share with you that definitely we are trying to increase our footprints around the various markets where we are not present at the moment.

Manoj Jethwa: Okay. And same is the case with Japan also, sir?

Dinesh Nolkha: Yes, definitely. Definitely, we have already -- we have made some inroads and we're trying to increase the same.

Manoj Jethwa: Okay. So we see the huge opportunity for new geographies as far as Japan and Africa is concerned, as far as our export business is concerned. Am I right, sir?

Dinesh Nolkha: Basically, we're trying to maintain our export share and diversify the markets. That is the strategy. We do not want to be dependent on some one or two markets. So that's why we keep on exploring new markets so that we improve upon our geographical diversification as well as improvement in the realizations as well. So once you're not dependent on some particular

market, you're able to navigate it better. And when you have so much of geopolitical upheaval happening all around the world, so it is better to diversify geographically as well.

- Manoj Jethwa:** Thank you. That's all from my side, sir.
- Moderator:** Thank you, sir. The next question is from the line of Nema from Bajaj Allianz Life Insurance Company. Please go ahead, ma'am.
- Nema:** In our last interaction, you had mentioned, you were talking about specialized products that made up at the time around 35% of our business. Just to recollect, I think you mentioned cotton with linen effect or multifold yarns, products of this sort. Are we getting to a better mix? I think you were aiming for a little more share in that. So have you seen any difference in the last quarter in this or are we still more or less at the same level?
- Dinesh Nolkha:** At the moment, we are at more or less the same level of last quarter. Nothing, not major improvements from here, not major. But we are trying to get into the areas so that we can improve the share of this product. In fact, our capacity has increased. So overall, if you see, we have increased the quantities, but share-wise, it is at the same level.
- Nema:** And do you see this happening more over 1 quarters or 2 quarters or is it more of a long-term plan?
- Dinesh Nolkha:** It's more of a long-term plan and it is our endeavour to improve upon this, so that this helps us in improving our margins. So, as a long-term strategy, we are trying to see wherever the opportunity comes and where whatever products we can get into.
- Nema:** Okay. Sounds good. I'll get back if there's something. Thank you. All the best.
- Moderator:** Thank you, ma'am. The next question is from the line of Aman Vishwakarma from PhillipCapital, PCG. Please go ahead, sir.
- Aman Vishwakarma:** Sir, I have a basic question on your asset base and the revenues, right? So if I were to look at your asset base in 2019, it was roughly, so I'm specifically talking about the Gross Blocks. So it was about INR600 crores of Gross Blocks, which has now grown to INR1,400 crores, right? So a rough addition of about a thousand or roughly INR800 crores, right? Against that INR800 crores, we have also seen a jump of INR1,900 crores of revenue in the same period. So what is the typical asset turn in your business that you're in? What has led to the significant jump broadly?
- Dinesh Nolkha:** Actually, what you're referring to is the Net Block, not the Gross Block.
- Aman Vishwakarma:** No, I believe the Gross Block number is at about INR674 crores?
- Dinesh Nolkha:** Maheshwariji, can you check and confirm what was the Gross Block? Because as far as I know, 2019, it was much higher.
- P Maheshwari:** 2019, Gross Block was INR900 crores.

- Dinesh Nolkha:** INR900 crores. And what is the Gross Block now?
- P Maheshwari:** INR2,500 crores.
- Dinesh Nolkha:** Yes.
- Aman Vishwakarma:** INR2,500 crores, okay, got it.
- Dinesh Nolkha:** Yes.
- Aman Vishwakarma:** So when you do announce any sort of expansion, right? So what sort of ROIs are you targeting broadly?
- Dinesh Nolkha:** Basically, the ROI has to be in the range of 15% to 18%. Normally, we try to see on the upper side of the segment that we try to target 18% ROIs. What the typical normal which we have for our norms for our capex. And asset turns are normally in the textile asset turns are in the range of 1 to 1.2 or 1.3 depending on the product segment except the garmenting part of the business.
- Aman Vishwakarma:** So again, on the Gross Block part, right? So up to INR2,500 crores that we have. Roughly, we have added about INR1,600 crores of assets, right? So could you like give me a split between how much you would have spent on the yarn part of the business or the fabric part?
- Dinesh Nolkha:** In this INR1,600 crores, I think we've spent nearly INR1,100 crores on the yarn part and INR500 crores on the fabric part.
- Aman Vishwakarma:** And what is the broad maintenance capex for your facilities if I may have the last question?
- Dinesh Nolkha:** Sorry?
- Aman Vishwakarma:** What is the maintenance capex that you incur on a year-on-year basis?
- Dinesh Nolkha:** As such, we do not incur means whatever maintenance expenses are there, we normally that is being debited to our revenue account. If you do any additional modifications and other things, then it comes. It depends on since we have newer plants, we do need not do that capex to that level.
- Aman Vishwakarma:** Okay, I do understand that it is expensed out. But what is the general run rate just to get an idea of the operation?
- Dinesh Nolkha:** Normally maintenance expenses are in the range of about 2% of the maintenance total capital costs. So that is a normal figure which we should consider.
- Aman Vishwakarma:** That's all from me. Thank you.
- Moderator:** Thank you, sir. The next question is from the line of Suraj Deora from Paladin Capital. Please go ahead, sir.
- Suraj Deora:** Hi, good evening, sir. Please pardon me if my question is redundant. I'm not looking at the business before and I'm just trying to understand the growth potential here. I saw that you've

done a lot of capex which has been capitalized in the last year. Are you fully utilizing all of that?

Dinesh Nolkha: Yes, we are utilizing, if you see whatever capacity expansion that we have done, we have nearly reached in the spinning business, the three segments, we have knitting, weaving and spinning. In spinning business, I think we are fully utilized. We have reached 95%, 96% capacity utilization.

For weaving business, weaving and processing business also, barring last quarter, we had a maintenance shutdown. We have reached there also on the top utilization level of about 90%. In the knitting segment, it is slightly down, and we are at about 50% to 60% only. So there is still a scope there to improve upon.

Suraj Deora: So more or less this INR800 crores run rate is where you would remain unless the prices of your products go up. And I think I heard you say that there is a likelihood of the spread increasing, so maybe a realization might increase, but volume growth may not happen until you announce the next level capex?

P. Maheshwari: Yes, exactly.

Suraj Deora: Okay, and I do not know if you already answered this, but do you have a view on how much realizations can go up?

P. Maheshwari: It depends on the market. We have how the cotton, what is the raw material prices and the demand overall pans out. It depends a lot on that. But I can say that the finished goods prices are near to the bottom of the cycle.

Suraj Deora: And so again, this is my ignorance, please pardon me, but I think you mentioned cotton to yarn spread is INR100. What has it been on average in the last few years and what has it been in the worst?

P. Maheshwari: When it was, the spread has been about INR70 to INR75 a kg, which was about 1.5 years back. Or even in the worst times in the COVID, it was even lesser. But from that time, the cost is also increased. And the best which we have seen is about INR130 a kg and INR135 a kg.

Suraj Deora: And this INR130 was in which year?

P. Maheshwari: It was in 21, 22.

Suraj Deora: Okay, that is right. Okay. Thank you so much.

P. Maheshwari: Thank you very much.

Moderator: Thank you, sir. The next question is from the line of Nishita Jain from Equitech. Please go ahead, ma'am.

Nishita Jain: Thank you. So my question is on the Bangladesh market. So there has been issues going on in Bangladesh, which is an important market for yarn exports. So have we also faced some issues

there, sir, on the expanding to other geographies? Is it in line with that issue? If you can tell about that?

Dinesh Nolkha: Yes, of course. Bangladesh is a very important market for us as well. But these issues have just cropped in in the last five days. I think last 13th or 14th of July onwards, this problem has come up of agitation in Bangladesh. I think it has been sorted out. And we expect this to be settled down in another three to four days' time. So it should not have any major impact. At this moment, it does not look to have any major impact on any of the businesses as such.

Nishita Jain: Okay. So just one more question. So you did highlight earlier about the benefits we will be getting from the state govt. So there is interest subvention and there is also capital subsidy. Can you please elaborate on both these benefits in detail?

Dinesh Nolkha: We are supposed to get the subsidies about 2.5% to 3% of our outstanding loans, which is about, on the maximum side, this can be about INR20 crores every year on the interest subsidy side with the sanctions which we have received for our new project, apart from what we are already getting for our old project.

As far as this is about interest subsidy, which will continue for the next five years' time. And on the capital subsidy side, it is in the range of about INR190 crores, which we may get for the next 10 years. So the exact figure must be about INR188 crores to 190 crores, which we will get in the next 10 years, which will be every year about INR19 to INR20 crores.

Nishita Jain: Okay. Thank you very much, sir. That's all from me.

Moderator: Thank you, ma'am. Ladies and gentlemen, due to time constraints, we will now take the last question from the line of Ronak from RK Securities. Please go ahead, sir.

Ronak: Sir, as the cropping season is coming to an end, sir, how was the arrival during the ongoing season and what is the new crop size expectations in the next cropping season?

Dinesh Nolkha: The arrivals in this particular cropping season was around 300. At this point of time, it is about already reached 315 lakh bales and we expect it to end at about 320, anything between 320 to 325 lakh bales. This is exactly the same number what we had seen in the last year, in 2022-23. In the coming year, till now, the sowing has been more than the last year, 3% to 4% more than the last year.

We expect that we will, at the end of the weather, within the monsoon period, we should be able to do the similar kind of sowing what we had seen in the last year. And yields are expected to improve. A lot of work has been done by agriculture ministry as well as agriculture ministry to improve on seeds as well as the practices. And we are expecting a better crop than last year, definitely.

Ronak: Okay. Sir, just the last one, if you permit. We have been hearing this FTA from UK from last one year. Maybe if you can give some materiality on this and if at all it comes, how we will benefit from this FTA?

- Dinesh Nolkha:** We are in the same boat. We are also hearing about this FTA, also talking to the various ministry officials also about the same and waiting this to happen. This is an important FTA for most of the textile companies because there are many brands to which we are catering in the UK, which are again catering globally. So once this happens, it will be an important milestone and important thing for the textile industry as a whole. And we should be definitely also benefited by that.
- Ronak:** Okay. Thank you, sir. Thank you for taking my question.
- Moderator:** Thank you, sir. I would now like to hand the conference over to Mr. Awanish Chandra for closing comments. Please go ahead, sir.
- Awanish Chandra:** Thank you, Dinesh sir. Sir, before taking your closing comments, before budget, we heard about PLI scheme, textile parks, anything. You want to add on anything because still a lot of details people are waiting for. So, anything positive you are hearing from the government or any side on these things?
- Dinesh Nolkha:** Still to see the fine prints, we have heard that there are 12 industrial parks, which has been declared. Rajasthan was one of the states which was supposed to get one. In fact, very near to our place in Bhilwara itself, we are expecting an industrial park to come in. So, if that comes in, that should help in expanding our capability going forward. So, that is something which is still to hear, but we have not declared that part particularly. So, I cannot comment on that.
- Otherwise, still a lot of things in the fine print, as we all know. There are a lot of things in the fine print, even on the custom side or even on the other side of the various development activities which are happening. So, we will see this more on the once we are through with this, then maybe we can share with you all about that.
- Awanish Chandra:** Okay, sir. Thank you very much, Dinesh sir and Maheshwari sir for giving us the opportunity to host the call. Before closing, any final commentary from your side?
- Dinesh Nolkha:** Yes. I hope we have been able to address all the queries which are there, and I must thank Mr. SMIFS and Awanishji for hosting this call for us and if any further information is required, you can get in touch with our finance team and our investor relations advisor, SGA for taking it forward. Thank you once again for taking the time to join us on the call. Thank you so much.
- P Maheshwari:** Thank you.
- Moderator:** Thank you. On behalf of SMIFS Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.